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Iuliia Protopop

*University of Nebraska-Lincoln*, [iprotopop@huskers.unl.edu](mailto:iprotopop@huskers.unl.edu)

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# Cornhusker Economics

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## Human Capital Challenges Faced by Foreign Agribusinesses Comparison of Ghana and South Africa

| Market Report  | Year Ago | 4 Wks Ago | 10/17/14 |
|--|----------|-----------|----------|
| <b><u>Livestock and Products</u></b>   |          |           |          |
| <b><u>Weekly Average</u></b>   | *        | 158.42    | 164.25   |
| Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .                             | 189.12   | 276.25    | 282.14   |
| Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .                            | 169.19   | 235.53    | 250.18   |
| Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .                             | *        | 246.23    | 249.26   |
| Choice Boxed Beef, 600-750 lb. Carcass. . . . .  | 91.26    | 104.66    | 99.71    |
| 104.69Western Corn Belt Base Hog Price   |          |           |          |
| Carcass, Negotiated. . . . .   | 95.26    | 110.50    | 115.75   |
| Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .                                  | *        | 162.88    | 164.75   |
| Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct. . . . .                  | 300.48   | 368.21    | 378.22   |
| National Carcass Lamb Cutout FOB. . . . .  |          |           |          |
| <b><u>Crops</u></b>  |          |           |          |
| <b><u>Daily Spot Prices</u></b>  |          |           |          |
| Wheat, No. 1, H.W. Imperial, bu. . . . .   | 7.30     | 4.75      | 5.27     |
| Corn, No. 2, Yellow Nebraska City, bu. . . . .   | 4.26     | 3.12      | 3.04     |
| Soybeans, No. 1, Yellow Nebraska City, bu. . . . .   | 12.46    | 10.57     | 8.97     |
| Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .                                       | 7.25     | 5.21      | 5.64     |
| Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .  | 3.53     | 3.79      | 3.54     |
| <b><u>Feed</u></b>   |          |           |          |
| Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . . | 250.00   | 191.25    | 200.00   |
| Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .                                    | 145.00   | 90.00     | 90.00    |
| Grass Hay, Large Rounds, Good Nebraska, ton. . . . .                                       | 122.50   | 87.50     | 98.00    |
| Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .                            | 205.00   | 118.00    | 123.50   |
| Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .                           | 63.00    | 35.00     | 40.00    |
| * No Market  |          |           |          |

Given Nebraska's strong interest in agricultural exports and opportunities for foreign direct investments, understanding the human capital challenges which U.S. agribusinesses face while operating in foreign markets is one of the determinants of success. The growing demand for food and biofuel motivates foreign investors to explore agricultural investment opportunities on the African continent. According to the 2014 World Bank report on the ease of doing business, South Africa and Ghana were ranked as the 3<sup>rd</sup> and the 5<sup>th</sup> most attractive countries for doing business in Sub-Saharan Africa.

According to the overall human capital index, South Africa and Ghana were 86<sup>th</sup> and 87<sup>th</sup> out of 122 countries. Even though the ranking of both countries are very close, there appear to be significant differences in the ranking of various subcategories of the human capital dimension. Compared to South Africa, Ghana's strength of human capital lies in a significantly better quality education system, higher public spending on education, higher capacity to attract talent, easier access to finding skilled labor, and a significantly higher labor force participation rate. According to this report, South Africa proves to have higher primary and secondary enrollment rates and a stronger enabling environment. The latter one is explained by the country's higher capacity to innovate, more productive business and university R&D collaboration, and more efficient staff training programs.

Thus, executive interviews were conducted to analyze the challenges which foreign agribusinesses

face while seeking and retaining human capital in Ghana and South Africa. Four agribusinesses (two U.S. and two Canadian firms) have been identified that operate in those countries and have hands-on experience with finding and developing skilled-labor in that region. A brief summary of companies' backgrounds is provided in Table 1. Since four out of five

of the companies are privately owned, the information on sales was not disclosed. Therefore, in the tables provided below, the companies are listed based on their experience in international markets (from the smallest on the left to the largest on the right) which may reveal the size of firms, to some degree.

Table 1. Characteristics of Foreign Agribusinesses Operating in Ghana and South Africa.

|  | <b>Innovative Consulting</b>            | <b>Experimental Farming</b>                  | <b>Bottled Water</b>                  | <b>Irrigation World</b>              | <b>Agricultural Equipment</b>      |
|--|---|--|---------------------------------------|--------------------------------------|------------------------------------|
| <b>Operations</b>                          | Ghana                                   | Ghana  | Ghana, South Africa                   | South Africa                         | Ghana, South Africa                |
| <b>Type of business</b>                    | Investment and risk consulting services | 100 acre farm<br>Ag TV program<br>Restaurant | Bottled water equipment               | Irrigation equipment                 | Agricultural machinery             |
| <b>Experience in international markets</b> | 1 country (3 years)                     | 3 countries (10 years)                       | 40 countries (10 years)               | 20 countries (10 years)              | 30 countries (57 years)            |
| <b>Size of labor force</b>                 | 6 people                                | 12 people, country director                  | Regional director, network of dealers | Country director, network of dealers | 3 people                           |
| <b>Category of employees hired</b>         | Professional, mid-managers              | Labor, some professional                     | Sales representatives, technicians    | Sales representatives                | Sales representatives, technicians |

As part of the study, companies were asked several questions to reveal challenges associated with employees' performance (see Table 2). The results show that firms that are engaged in the distribution of equipment (the last three firms on the right in Table 2)

have no significant challenges in this area. They do not experience high employee turnover and are not particularly concerned with work ethic issues in their locally hired employees. Indeed, employees meet their expectations most of the time.

Table 2. Employees' Performance: Challenges and Solutions.

|  | <b>Innovative Consulting</b>               | <b>Experimental Farming</b>          | <b>Bottled Water</b>         | <b>Irrigation World</b> | <b>Agricultural Equipment</b> |
|--|--|--------------------------------------|------------------------------|-------------------------|-------------------------------|
| <b>Do employees meet expectations?</b>                           | Employees are capable but require training | Not always. Lack of practical skills | Most of the time             | Most of the time        | Yes                           |
| <b>Does firm face high employee turnover?</b>                    | No   | Yes                                  | No                           | No                      | No                            |
| <b>Is firm concerned with ethical issues?</b>                    | Yes  | Yes                                  | Sometimes                    | No                      | No                            |
| <b>Solutions used to prevent turnover and enhance work ethic</b> | on-job training<br>personal development    | community and relationship building  | performance-based commission | well-defined agreements | N/A                           |

The service- and goods-producing agribusinesses (the first two firms on the left in Table 2) showed very different results: employees oftentimes do not meet their expectations, firms face high employee turnover, and firms are concerned with work ethic and trust issues. Consequently, these two types of firms use different solutions to prevent employee turnover and enhance work ethic. Service- and goods-producing firms focus on on-job training, personal development, and community and relationship building. Firms that are engaged in distribution of equipment use well-defined agreements, performance evaluations, and commis-

sions based on employees' performance to prevent the above challenges.

In this particular study, the results show that human capital challenges faced by foreign agribusinesses in Ghana and South Africa appear to depend more on the type of activity carried out by the firm rather than the country where it operates. This result also implies that the same model for identifying and retaining human capital cannot be used for all types of agribusinesses even if operating in the same country.

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Iuliia Protopop\*

Ph.D. Graduate Student  
Department of Agricultural Economics  
University of Nebraska-Lincoln  
[iprotopop@huskers.unl.edu](mailto:iprotopop@huskers.unl.edu)

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